

## Restoring authority in the individual health market

**ESB 5261**

### Background

Seven years ago, the legislature struck a deal to salvage the individual health insurance market. Legislation was adopted with promises that competition would return and the market would flourish. In short, the legislation had four key components:

- allowed the highest risk to be taken out of the market
- extended pre-existing conditions to nine months from three
- allowed carriers to replace product on 90 days notice
- took away our authority to regulate rates

Seven years have passed since the law took effect and there is still no competition in the individual market in Washington. Meanwhile, the carriers are making record profits.

During this time, the Insurance Commissioner has had minimal regulatory oversight of individual health plan rates. He cannot disapprove or impede the implementation of rates for individual plans and may contest only the calculation of the carrier's loss ratio as demonstrated in a required annual experience filing.

### The problem

Rates for individual health care coverage have increased an average of 16 percent annually since 2001. Last year, the largest health plan in the individual health market, Regence, filed a 19.4 percent rate increase. Rates for 2008 do not look much better. The second largest individual plan, Lifewise Health Plan, has filed a rate increase of 22.5 percent. Prior to 2000, the Insurance Commissioner's office had the ability to impact rates. In the three years prior to this law, rates increased between 1 and 4 percent less than the amount requested.

### Solution

#### Restore Insurance Commissioner's authority

- Restore the Insurance Commissioner's oversight of the individual health insurance market and give the Commissioner the authority to disapprove a carrier's form if the benefits provided are unreasonable in relation to premium. (This is the standard for other health plan products).
- Allow the Insurance Commissioner 60 days to review rates or rate modifications for individual health plans before they can be used.
- Individual health plans must maintain a 77 percent minimum loss ratio.

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